

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF MILLINGTON	County TUSCOLA
Audit Date 2/28/05	Opinion Date 4/28/05	Date Accountant Report Submitted to State: 7/15/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BERTHIAUME & COMPANY CPAS			
Street Address 60 HARROW LANE	City SAGINAW	State MI	ZIP 48638
Accountant Signature <i>Kenneth A. Berthiaume</i>		Date <i>7-15-05</i>	

VILLAGE OF MILLINGTON

Tuscola County, Michigan

FINANCIAL STATEMENTS

February 28, 2005

VILLAGE OF MILLINGTON

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	3
Statement of Activities.....	4
Fund Financial Statements:	
<i>Governmental Funds:</i>	
Balance Sheet.....	5
Reconciliation of Fund Balances of Governmental Funds to Net Assets of	
Governmental Activities.....	6
Statement of Revenues, Expenditures and Changes in Fund Balances.....	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	8
<i>Proprietary Funds:</i>	
Statement of Net Assets.....	9
Statement of Revenues, Expenses, and Changes in Net Assets.....	10
Statement of Cash Flows.....	11
Notes to Financial Statements.....	13
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund.....	30
Budgetary Comparison Schedule –Special Revenue Fund – Major Street Fund.....	31
Budgetary Comparison Schedule – Special Revenue Fund – Local Street Fund.....	32
Pension System Schedule of Funding Progress.....	33
Other Supplemental Information:	
<i>General Fund:</i>	
Detailed Schedule of Revenues.....	35
Detailed Schedule of Expenditures.....	36
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet.....	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	39
Schedules of Indebtedness.....	40
Report on Internal Control Over Financial Reporting and on Compliance and Other	
 Matters Based on an Audit of Financial Statements Performed in Accordance with	
 <i>Government Auditing Standards</i>	46
Management Letter	47

**BERTHIAUME
& COMPANY**

Certified Public Accountants



60 Harrow Lane
Saginaw, Michigan 48603

(989) 791-1555
Fax (989) 791-1992

INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Millington,
Tuscola County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Millington as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Millington's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Millington, as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2005, on our consideration of the Village of Millington's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Millington's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

As described in Note 11, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements, as of March 1, 2004.

Berthiaume & Co.
April 28, 2005

BASIC FINANCIAL STATEMENTS

VILLAGE OF MILLINGTON

STATEMENT OF NET ASSETS

February 28, 2005

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Assets:				
Cash and cash equivalents	\$ 696,478	\$ 379,468	\$ 1,075,946	\$ 268,028
Investments	-	-	-	-
Receivables	91,738	42,555	134,293	26,776
Internal balances	-	-	-	-
Prepaid items and other assets	-	60,221	60,221	-
Inventory	-	12,802	12,802	-
Restricted cash and cash equivalents	-	101,758	101,758	-
Capital assets:				
Nondepreciable capital assets	14,100	-	14,100	-
Depreciable capital assets, net	223,421	1,912,900	2,136,321	-
Total assets	1,025,737	2,509,704	3,535,441	294,804
Liabilities:				
Accounts payable and accrued expenses	39,691	33,734	73,425	2,715
Deferred revenue	-	-	-	-
Long-term liabilities:				
Due within one year	3,000	36,000	39,000	5,000
Due in more than one year	43,500	1,498,000	1,541,500	240,000
Total liabilities	86,191	1,567,734	1,653,925	247,715
Net assets:				
Invested in capital assets, net of related debt	193,289	378,900	572,189	-
Restricted for:				
Debt service	-	101,758	101,758	-
Streets	445,922	-	445,922	-
Unrestricted	300,335	461,312	761,647	47,089
Total net assets	\$ 939,546	\$ 941,970	\$ 1,881,516	\$ 47,089

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

STATEMENT OF ACTIVITIES

Year Ended February 28, 2005

	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Functions/Programs				
PRIMARY GOVERNMENT:				
<i>Governmental activities:</i>				
General government	\$ 110,917	\$ 1,311	\$ -	\$ (109,606)
Public safety	113,377	667	3,009	(109,701)
Public works	298,612	83,846	123,326	(91,440)
Recreation and culture	4,350	-	-	(4,350)
Interest on long-term debt	<u>2,903</u>	<u>-</u>	<u>-</u>	<u>(2,903)</u>
 Total governmental activities	<u>530,159</u>	<u>85,824</u>	<u>126,335</u>	<u>(318,000)</u>
 <i>Business-type activities:</i>				
Sewer	150,076	85,591	-	(64,485)
Water	223,943	236,405	-	12,462
Industrial development	<u>5,892</u>	<u>3,208</u>	<u>-</u>	<u>(2,684)</u>
 Total business-type activities	<u>379,911</u>	<u>325,204</u>	<u>-</u>	<u>(54,707)</u>
 Total primary government	<u>\$ 910,070</u>	<u>\$ 411,028</u>	<u>\$ 126,335</u>	<u>\$ (372,707)</u>
 COMPONENT UNITS:				
Downtown development authority	<u>\$ 39,021</u>	<u>\$ 100</u>	<u>\$ 2,677</u>	<u>\$ (36,244)</u>
 Total component units	<u>\$ 39,021</u>	<u>\$ 100</u>	<u>\$ 2,677</u>	<u>\$ (36,244)</u>

continued

The accompanying notes are an integral part of these financial statements.

	<i>Primary Government</i>			
	<i>Governmental</i>	<i>Business-</i>		<i>Component</i>
	<i>Activities</i>	<i>type</i>	<i>Total</i>	<i>Units</i>
	<u></u>	<u>Activities</u>	<u></u>	<u></u>
Changes in net assets				
Net (Expense) Revenue	\$ (318,000)	\$ (54,707)	\$ (372,707)	\$ (36,244)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	255,854	-	255,854	34,193
Grants and contributions not restricted to specific programs	122,884	-	122,884	-
Unrestricted investment earnings	4,325	3,160	7,485	405
Miscellaneous	7,296	-	7,296	-
Special item - Gain on sale of capital asset	489	-	489	-
Transfers	<u>4,000</u>	<u>(4,000)</u>	<u>-</u>	<u>-</u>
Total general revenues, special items, and transfers	<u>394,848</u>	<u>(840)</u>	<u>394,008</u>	<u>34,598</u>
Change in net assets	76,848	(55,547)	21,301	(1,646)
Net assets, beginning of year	<u>862,698</u>	<u>997,517</u>	<u>1,860,215</u>	<u>48,735</u>
Net assets, end of year	<u>\$ 939,546</u>	<u>\$ 941,970</u>	<u>\$ 1,881,516</u>	<u>\$ 47,089</u>

VILLAGE OF MILLINGTON

GOVERNMENTAL FUNDS

BALANCE SHEET

February 28, 2005

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets:					
Cash and cash equivalents	\$ 195,778	\$ 90,918	\$ 308,788	\$ 60,020	\$ 655,504
Accounts receivable	-	-	-	8,042	8,042
Due from other governmental units	<u>37,293</u>	<u>24,057</u>	<u>22,346</u>	<u>-</u>	<u>83,696</u>
 Total assets	<u>\$ 233,071</u>	<u>\$ 114,975</u>	<u>\$ 331,134</u>	<u>\$ 68,062</u>	<u>\$ 747,242</u>
 Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued expenses	\$ 11,403	\$ 187	\$ -	\$ 3,646	\$ 15,236
Due to other governmental units	<u>23,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,121</u>
 Total liabilities	<u>34,524</u>	<u>187</u>	<u>-</u>	<u>3,646</u>	<u>38,357</u>
 Fund balances:					
Unreserved:					
General fund	198,547	-	-	-	198,547
Special revenue funds	<u>-</u>	<u>114,788</u>	<u>331,134</u>	<u>64,416</u>	<u>510,338</u>
 Total fund balances	<u>198,547</u>	<u>114,788</u>	<u>331,134</u>	<u>64,416</u>	<u>708,885</u>
 Total liabilities and fund balances	<u>\$ 233,071</u>	<u>\$ 114,975</u>	<u>\$ 331,134</u>	<u>\$ 68,062</u>	<u>\$ 747,242</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

February 28, 2005

Total fund balances for governmental funds \$ 708,885

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	141,000	
Less accumulated depreciation	<u>(63,342)</u>	77,658

The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	<u>153,003</u>
---	----------------

Net assets of governmental activities \$ 939,546

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 28, 2005

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:					
Taxes	\$ 209,274	\$ -	\$ -	\$ 46,580	\$ 255,854
Licenses and permits	1	-	-	-	1
State grants	125,893	71,140	25,134	-	222,167
Contributions from other units	-	9,032	18,020	-	27,052
Charges from services	850	-	-	64,369	65,219
Fines and forfeits	27	-	-	-	27
Interest and rents	1,930	906	2,118	250	5,204
Other revenue	<u>7,785</u>	<u>189</u>	<u>-</u>	<u>-</u>	<u>7,974</u>
Total revenues	<u>345,760</u>	<u>81,267</u>	<u>45,272</u>	<u>111,199</u>	<u>583,498</u>
Expenditures:					
Current:					
General government	108,959	-	-	-	108,959
Public safety	102,657	-	-	-	102,657
Public works	93,683	92,991	41,963	60,983	289,620
Recreation and culture	<u>4,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,350</u>
Total expenditures	<u>309,649</u>	<u>92,991</u>	<u>41,963</u>	<u>60,983</u>	<u>505,586</u>
Excess (deficiency) of revenues over expenditures	<u>36,111</u>	<u>(11,724)</u>	<u>3,309</u>	<u>50,216</u>	<u>77,912</u>
Other financing sources (uses):					
Transfers in	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Total other financing sources (uses)	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Net change in fund balances	40,111	(11,724)	3,309	50,216	81,912
Fund balances, beginning of year, as restated	<u>158,436</u>	<u>126,512</u>	<u>327,825</u>	<u>14,200</u>	<u>626,973</u>
Fund balances, end of year	<u>\$ 198,547</u>	<u>\$ 114,788</u>	<u>\$ 331,134</u>	<u>\$ 64,416</u>	<u>\$ 708,885</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

February 28, 2005

Net change in fund balances - total governmental funds	\$ 81,912
---	------------------

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Less depreciation expense	(2,268)
---------------------------	---------

The net revenue (expense) of the internal service fund is reported with governmental activities.	<u>(2,796)</u>
--	----------------

Change in net assets of governmental activities	<u>\$ 76,848</u>
--	-------------------------

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

PROPRIETARY FUNDS STATEMENT OF NET ASSETS

February 28, 2005

	<u>Business-type Activities</u>				<u>Governmental Activities</u>
	<u>Major Enterprise Funds</u>		<u>Nonmajor Enterprise Fund</u>		<u>Internal Service Fund</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Industrial Development Fund</u>	<u>Total</u>	<u>Equipment Fund</u>
Assets:					
Current assets:					
Cash and cash equivalents	\$ 353,188	\$ 25,813	\$ 467	\$ 379,468	\$ 40,974
Accounts receivable	14,231	28,324	-	42,555	-
Inventory	1,755	11,047	-	12,802	-
Total current assets	<u>369,174</u>	<u>65,184</u>	<u>467</u>	<u>434,825</u>	<u>40,974</u>
Noncurrent assets:					
Restricted cash and cash equivalents	-	101,758	-	101,758	-
Capital assets:					
Depreciable capital assets, net	402,195	1,510,705	-	1,912,900	159,863
Land held for development - Industrial Pa	-	-	42,857	42,857	-
Deferred charges	17,364	-	-	17,364	-
Total noncurrent assets	<u>419,559</u>	<u>1,612,463</u>	<u>42,857</u>	<u>2,074,879</u>	<u>159,863</u>
Total assets	<u>788,733</u>	<u>1,677,647</u>	<u>43,324</u>	<u>2,509,704</u>	<u>200,837</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued expenses	2,244	31,490	-	33,734	1,334
Current portion of long-term debt	-	36,000	-	36,000	-
Total current liabilities	<u>2,244</u>	<u>67,490</u>	<u>-</u>	<u>69,734</u>	<u>1,334</u>
Noncurrent liabilities:					
Long-term debt	<u>290,000</u>	<u>1,208,000</u>	<u>-</u>	<u>1,498,000</u>	<u>46,500</u>
Total noncurrent liabilities	<u>290,000</u>	<u>1,208,000</u>	<u>-</u>	<u>1,498,000</u>	<u>46,500</u>
Total liabilities	<u>292,244</u>	<u>1,275,490</u>	<u>-</u>	<u>1,567,734</u>	<u>47,834</u>
Net assets:					
Invested in capital assets, net of related de	112,195	266,705	-	378,900	113,363
Restricted for:					
Debt service	-	101,758	-	101,758	-
Unrestricted	<u>384,294</u>	<u>33,694</u>	<u>43,324</u>	<u>461,312</u>	<u>39,640</u>
Total net assets	<u>\$ 496,489</u>	<u>\$ 402,157</u>	<u>\$ 43,324</u>	<u>\$ 941,970</u>	<u>\$ 153,003</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended February 28, 2005

	<u>Business-type Activities</u>				<u>Governmental Activities</u>
	<u>Major Enterprise Funds</u>		<u>Nonmajor Enterprise Fund</u>		<u>Internal Service Fund</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Industrial Development Fund</u>	<u>Total</u>	<u>Equipment Fund</u>
Operating revenues:					
Charges for services	\$ 84,600	\$ 212,412	\$ -	\$ 297,012	\$ 53,634
Penalties	991	3,332	-	4,323	-
Other	-	45	3,208	3,253	134
Total operating revenues	<u>85,591</u>	<u>215,789</u>	<u>3,208</u>	<u>304,588</u>	<u>53,768</u>
Operating expenses:					
Personnel	60,894	44,181	-	105,075	7,592
Fringe benefits	20,641	19,586	-	40,227	3,806
Supplies	10,792	17,009	-	27,801	4,965
Contracted services	11,929	10,384	5,892	28,205	129
Telephone	-	240	-	240	-
Mileage	152	559	-	711	-
Dues and membership fees	200	-	-	200	-
Education and training	650	915	-	1,565	-
Printing and publishing	1,501	571	-	2,072	9
Insurance	1,424	6,834	-	8,258	569
Utilities	3,119	6,630	-	9,749	-
Repair and maintenance	9	-	-	9	7,077
Equipment rental	11,446	7,708	-	19,154	-
Other services and supplies	3,120	5	-	3,125	254
Depreciation	23,125	44,260	-	67,385	29,481
Total operating expenses	<u>149,002</u>	<u>158,882</u>	<u>5,892</u>	<u>313,776</u>	<u>53,882</u>
Operating income (loss)	<u>(63,411)</u>	<u>56,907</u>	<u>(2,684)</u>	<u>(9,188)</u>	<u>(114)</u>
Non-operating revenues (expenses):					
Interest income	1,246	1,904	10	3,160	221
Rental income	-	20,616	-	20,616	-
Interest expense	(1,074)	(65,061)	-	(66,135)	(2,903)
Total non-operating revenues (expenses)	<u>172</u>	<u>(42,541)</u>	<u>10</u>	<u>(42,359)</u>	<u>(2,682)</u>
Net income (loss) before operating transfers	<u>(63,239)</u>	<u>14,366</u>	<u>(2,674)</u>	<u>(51,547)</u>	<u>(2,796)</u>
Operating transfers:					
Transfer to other funds	-	-	(4,000)	(4,000)	-
Total operating transfers	<u>-</u>	<u>-</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Net income (loss)	<u>(63,239)</u>	<u>14,366</u>	<u>(6,674)</u>	<u>(55,547)</u>	<u>(2,796)</u>
Net assets, beginning of year	<u>559,728</u>	<u>387,791</u>	<u>49,998</u>	<u>997,517</u>	<u>155,799</u>
Net assets, end of year	<u>\$ 496,489</u>	<u>\$ 402,157</u>	<u>\$ 43,324</u>	<u>\$ 941,970</u>	<u>\$ 153,003</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MILLINGTON

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

Year Ended February 28, 2005

	<i>Business-type Activities</i>				<i>Governmental Activities</i>
	<i>Major Enterprise Funds</i>		<i>Nonmajor Enterprise Fund</i>		<i>Internal Service Fund</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Industrial Development Fund</i>	<i>Total</i>	<i>Equipment Fund</i>
Cash flows from operating activities:					
Cash received from customers	\$ 76,913	\$ 200,713	\$ 3,208	\$ 280,834	\$ 53,768
Cash payments to employees	(60,894)	(44,181)	-	(105,075)	(7,592)
Cash payments to suppliers for goods and services	(71,254)	(73,145)	(6,892)	(151,291)	(15,993)
Net cash provided (used) by operating activities	(55,235)	83,387	(3,684)	24,468	30,183
Cash flows from non-capital financing activities:					
Proceeds of General Obligation Bonds	272,636	-	-	272,636	-
Operating transfers out	-	-	(4,000)	(4,000)	-
Net cash provided (used) by non-capital financing activities	272,636	-	(4,000)	268,636	-
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	-	-	-	-	(5,844)
Principal payments	-	(36,000)	-	(36,000)	(3,000)
Interest paid	(1,074)	(65,061)	-	(66,135)	(2,903)
Rent received	-	20,616	-	20,616	-
Sale of land	-	-	7,792	7,792	-
Net cash provided (used) by capital and related financing activities	(1,074)	(80,445)	7,792	(73,727)	(11,747)
Cash flows from investing activities					
Interest received	1,246	1,904	10	3,160	221
Net cash provided by investing activities	1,246	1,904	10	3,160	221
Net increase in cash and cash equivalents	217,573	4,846	118	222,537	18,657
Cash and cash equivalents, beginning of year	135,615	122,725	349	258,689	22,317
Cash and cash equivalents, end of year	\$ 353,188	\$ 127,571	\$ 467	\$ 481,226	\$ 40,974
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (63,411)	\$ 56,907	\$ (2,684)	\$ (9,188)	\$ (114)
Adjustments:					
Depreciation	23,125	44,260	-	67,385	29,481
Changes in assets and liabilities:					
Accounts receivable	(8,678)	(15,076)	-	(23,754)	-
Inventory	(32)	270	-	238	-
Accounts payable and accrued expenses	(6,239)	(2,974)	-	(9,213)	816
Due to other funds	-	-	(1,000)	(1,000)	-
Net cash provided (used) by operating activities	\$ (55,235)	\$ 83,387	\$ (3,684)	\$ 24,468	\$ 30,183

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS

February 28, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Millington conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the Village's reporting entity because of their operational or financial relationship with the Village.

Discretely Presented Component Units - The component unit column in the government-wide financial statements includes the financial data of the Village's one component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Village. The component unit is described as follows:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority. Complete separate financial statements of the Downtown Development Authority are not prepared.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2005

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2005

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The General Fund is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The Major Street Fund is used to account for the maintenance and construction of the Village's major street system.

The Local Street Fund is used to account for the maintenance and construction of the Village's local street system.

The Village reports the following major enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2005

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Vehicles	5-10 years
Furniture	5-10 years
Equipment	5-25 years
Infrastructure	5-50 years

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2005

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Property Taxes:

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

The 2004 taxable valuation of the Village totaled \$18,898,151, on which ad valorem taxes levied consisted of 14.6239 mills for the Village's operating purposes, of which 2.4679 mills was allocated to municipal streets.

The delinquent real property taxes of the Village are purchased by Tuscola County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Manager submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Village did not incur any expenditures that were in excess of the amounts budgeted.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2005

NOTE 3: DEPOSITS AND INVESTMENTS

The Village's deposits and investments at February 28, 2005 are included in the statement of net assets under the following categories:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>	<i><u>Total Primary Government</u></i>	<i><u>Component Unit</u></i>
Cash and cash equivalents	\$ 696,478	\$ 379,468	\$ 1,075,946	\$ 268,028
Restricted cash and equivalents	-	101,758	101,758	-
	<u>\$ 696,478</u>	<u>\$ 481,226</u>	<u>\$ 1,177,704</u>	<u>\$ 268,028</u>

Deposits:

The breakdown between deposits and investments for the Village is as follows:

	<i><u>Primary Government</u></i>	<i><u>Component Unit</u></i>
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 422,704	\$ 268,028
Investments in securities, mutual funds, and similar vehicles	755,000	-
Total	<u>\$ 1,177,704</u>	<u>\$ 268,028</u>

The deposits of the primary government and component unit were reflected in the accounts of financial institutions (without recognition of checks written but not yet cleared or of deposits in transit) at \$700,097, of which \$427,622 is covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Village believes that due to the dollar amount of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk each institution; only those institutions with an acceptable estimated risk level are used as depositories. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool.

Investments:

State statutes authorize the Village to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by a Village.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2005

Investments are categorized into these three categories of credit risk:

Category 1 – Insured or registered, or securities held by the Village or its agent in the Village's name;

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name; and

Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Village's name.

At year end, the Village's investment balances were categorized as follows:

	<u>Category</u>			<u>Reported Amount (Fair Value)</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Primary government:				
U.S. government securities	\$ -	\$ -	\$ -	\$ -
Investments not subject to categorization:				
Municipal Investment Funds				755,000
Total investments				<u>\$ 755,000</u>

NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

Water Fund Reserves:

The Village's ordinances authorizing issuance of the 2002 Water Supply System Revenue Bonds require that specific accounts be established and monies deposited as follows:

Receiving Account – All receipts are initially deposited into this account.

Operation and Maintenance Account – Transfers are to be made to cover upcoming operating expenses.

Bond and Interest Redemption Account – Monthly transfers are to be made equal to 1/6 of the next interest payment due plus 1/12 of the next principal payment due.

Water Bond Reserve Account – Annually \$6,583.50 is to be transferred to this account until \$65,385 is accumulated.

Repair, Replacement, and Improvement Fund – Annually \$10,450 is to be deposited into this account until the Bond Reserve Account is fully funded. From that time on, annual installments of \$17,033.50 are to be deposited for the life of the loan.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2005

At February 28, 2005 the Village had these accounts established and had restricted cash as follows:

	<i>REQUIREMENTS</i>			<i>Amount Funded Restricted Cash Balance</i>
	<i>February 29, 2004</i>	<i>Additions (Reductions)</i>	<i>February 28, 2005</i>	<i>February 28, 2005</i>
Bond and interest redemption fund	\$ 32,575	\$ (261)	\$ 32,314	\$ 48,713
Bond reserve account	13,167	6,583	19,750	20,492
Repair, replacement, and improvement fund	20,900	10,450	31,350	32,553
	<u>\$ 66,642</u>	<u>\$ 16,772</u>	<u>\$ 83,414</u>	<u>\$ 101,758</u>

NOTE 5: CAPITAL ASSETS

Primary Government capital asset activity for the year ended February 28, 2005 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Governmental activities:				
Nondepreciable capital assets:				
Land	<u>\$ 14,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,100</u>
Depreciable capital assets:				
Buildings and improvements	126,900	-	-	126,900
Equipment	369,109	5,968	(21,135)	353,942
Vehicles	<u>158,215</u>	<u>-</u>	<u>-</u>	<u>158,215</u>
	<u>654,224</u>	<u>5,968</u>	<u>(21,135)</u>	<u>639,057</u>
Total capital assets	<u>668,324</u>	<u>5,968</u>	<u>(21,135)</u>	<u>653,157</u>
Accumulated depreciation	<u>(404,898)</u>	<u>(31,749)</u>	<u>21,011</u>	<u>(415,636)</u>
Depreciable capital assets, net	<u>249,326</u>	<u>(25,781)</u>	<u>(124)</u>	<u>223,421</u>
Governmental activities, capital assets, net	<u>\$ 263,426</u>	<u>\$ (25,781)</u>	<u>\$ (124)</u>	<u>\$ 237,521</u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2005

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>Ending Balance</u></i>
Business-type activities:				
Depreciable capital assets				
Equipment	10,682	-	-	10,682
Vehicles	21,280	-	-	21,280
Distribution system	<u>2,927,727</u>	<u>-</u>	<u>-</u>	<u>2,927,727</u>
Total capital assets	<u>2,959,689</u>	<u>-</u>	<u>-</u>	<u>2,959,689</u>
Accumulated depreciation	<u>(979,404)</u>	<u>(67,385)</u>	<u>-</u>	<u>(1,046,789)</u>
Depreciable capital assets, net	<u>1,980,285</u>	<u>(67,385)</u>	<u>-</u>	<u>1,912,900</u>
Business-type activities, capital assets, net	<u>\$ 1,980,285</u>	<u>\$ (67,385)</u>	<u>\$ -</u>	<u>\$ 1,912,900</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 1,958
Public safety	10,720
Public works	<u>19,071</u>
Total governmental activities	<u>\$ 31,749</u>
Business-type activities:	
Sewer	\$ 23,125
Water	<u>44,260</u>
Total business-type activities	<u>\$ 99,134</u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2005

NOTE 6: LONG-TERM LIABILITIES

The Village issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

Long-term liabilities at February 28, 2005 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<u>Governmental Activities</u>					
<i>Installment Purchase Contract:</i>					
2001 Issue - Dump Truck Loan					
Serial Current Interest Loan	12/1/05-12/1/16	4.75%	\$3,000-5,000	\$ 55,500	\$ 46,500
<u>Business-type Activities</u>					
<i>Revenue Bonds:</i>					
1988 Issue - Water Revenue Refunding Bonds					
Serial Current Interest Bonds	10/1/05-10/1/08	8.10-8.40%	25,000-30,000	265,000	115,000
2002 Issue - Water Revenue Bonds					
Serial Current Interest Bonds	9/1/05-9/1/42	4.5%	11,000-62,000	1,150,000	1,129,000
<i>General Obligation Bonds:</i>					
2005 Issue - Sewer General Obligation Bonds					
Serial Current Interest Bonds	4/1/06-4/1/25	3.50-4.55%	10,000-20,000	290,000	290,000
<u>Component Unit</u>					
<i>General Obligation Bonds:</i>					
2004 Issue - Downtown Development Limited					
Tax Bonds					
Serial Current Interest Bonds	12/1/05-12/1/23	4.00-4.90%	5,000-20,000	250,000	245,000

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2005

The following is a summary of long-term liabilities transactions for the year ended February 28, 2005:

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Retirements</i></u>	<u><i>Ending Balance</i></u>	<u><i>Due Within One Year</i></u>
Governmental activities:					
Installment Purchase Contract					
2001 Issue	\$ 49,500	\$ -	\$ (3,000)	\$ 46,500	\$ 3,000
Total governmental activities					
- long-term liabilities	<u>\$ 49,500</u>	<u>\$ -</u>	<u>\$ (3,000)</u>	<u>\$ 46,500</u>	<u>\$ 3,000</u>
Business-type activities:					
Revenue Bonds:					
1988 Issue	\$ 140,000	\$ -	\$ (25,000)	\$ 115,000	\$ 25,000
2002 Issue	1,140,000	-	(11,000)	1,129,000	11,000
General Obligation Bonds:					
2005 Issue	-	290,000.00	-	290,000.00	-
Total business-type activities					
- long-term liabilities	<u>\$ 1,280,000</u>	<u>\$ 290,000</u>	<u>\$ (36,000)</u>	<u>\$ 1,534,000</u>	<u>\$ 36,000</u>

	<u><i>Interest Rate Ranges</i></u>	<u><i>Principal Maturity Ranges</i></u>	<u><i>Beginning Balance</i></u>	<u><i>Additions (Reductions)</i></u>	<u><i>Ending Balance</i></u>	<u><i>Due Within One Year</i></u>
Component units:						
General Obligation - 2004 Downtown						
Development Limited Tax Bonds						
Amount of Issue - \$250,000						
Maturing through 2023	4.0-4.9%	\$5,000-20,000	<u>\$ -</u>	<u>\$ 245,000</u>	<u>\$ 245,000</u>	<u>\$ 5,000</u>
Total component units			<u>\$ -</u>	<u>\$ 245,000</u>	<u>\$ 245,000</u>	<u>\$ 5,000</u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2005

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

<i>Year Ended February 28,</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2006	\$ 3,000	\$ 2,209	\$ 5,209	\$ 36,000	\$ 71,907	\$ 107,907
2007	3,000	2,066	5,066	52,000	72,114	124,114
2008	3,000	1,924	4,924	52,000	68,734	120,734
2009	3,000	1,781	4,781	53,000	65,324	118,324
2010	4,000	1,639	5,639	23,000	61,836	84,836
2011-2015	20,500	5,345	25,845	132,000	293,729	425,729
2016-2020	10,000	713	10,713	172,000	260,655	432,655
2021-2025	-	-	-	222,000	216,983	438,983
2026-2030	-	-	-	174,000	169,887	343,887
2031-2035	-	-	-	195,000	129,202	324,202
2036-2040	-	-	-	246,000	78,138	324,138
2041-2043	-	-	-	177,000	17,102	194,102
	<u>\$ 46,500</u>	<u>\$ 15,677</u>	<u>\$ 62,177</u>	<u>\$ 1,534,000</u>	<u>\$ 1,505,611</u>	<u>\$ 3,039,611</u>

<i>Year Ended February 28,</i>	<i>Component Unit</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2006	\$ 5,000	\$ 10,860	\$ 15,860
2007	5,000	10,660	15,660
2008	5,000	10,460	15,460
2009	10,000	10,260	20,260
2010	10,000	9,860	19,860
2011-2015	50,000	43,295	93,295
2016-2020	80,000	30,598	110,598
2021-2025	80,000	9,720	89,720
	<u>\$ 245,000</u>	<u>\$ 135,713</u>	<u>\$ 380,713</u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2005

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<u><i>Governmental Activities</i></u>	<u><i>Business-type Activities</i></u>
Receivables:		
Interest	-	-
Accounts	8,042	42,555
Intergovernmental	<u>83,696</u>	<u>-</u>
Total receivables	<u>\$ 91,738</u>	<u>\$ 42,555</u>
Accounts payable and accrued expenses:		
Accounts	\$ 15,387	\$ 1,077
Payroll and related liabilities	631	-
Interest	552	32,657
Intergovernmental	<u>23,121</u>	<u>-</u>
Total accounts payable and accrued expenses	<u>\$ 39,691</u>	<u>\$ 33,734</u>

NOTE 8: INTERFUND TRANSFERS

Interfund transfers reported in the fund statements were as follows:

<u><i>Funds Transferred From</i></u>	<u><i>Funds Transferred To</i></u>	<u><i>Amount</i></u>
Industrial Development Fund	General Fund	<u>\$ 4,000</u>
	Total	<u>\$ 4,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2005

NOTE 9: RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The Village has purchased commercial insurance for medical benefits, manages its workers compensation risk, by participating in Michigan Municipal Workers Compensation Fund, and its liability and property risk by participating in the Michigan Township Participating Plan a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium for its workers compensation, property and liability insurance coverage. Both the Michigan Municipal Workers Compensation Fund and the Michigan Township Participating Plan are self-sustaining through member premiums. The Michigan Township Participating Plan provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System):

Plan Description – The Local governmental Unit participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers municipal employees in the State of Michigan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

Funding Policy – The obligation to contribute and maintain the system for these employees was established by negotiation with the Village Council and personnel policy, which requires employees to contribute to the plan at a rate of 3% for General and DPW employees and 7.2% for Police. The Village of Millington is required to contribute at actuarially determined rates; the current rates ranged from 4.53 to 7.53 percent of eligible payroll based on the December 31, 2002 valuation.

Annual Pension Costs – For year ended February 28, 2005, the Village's annual pension cost of \$11,005 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2005

Three year trend information as of February 28, follows:

Annual pension cost	\$	11,005	\$	9,361	\$	26,664
Percentage of APC contributed		100%		100%		100%
Net pension obligation		-		-		-

Post Employment Benefits:

The Village has no post employment other than the retirement plan mentioned above.

NOTE 11: PRIOR PERIOD ADJUSTMENTS

Change in Recognition of Sales Tax Revenue:

Recognition of state shared revenue payments of sales tax should agree with the State of Michigan's distribution periods. In prior years, the payment distributed in April for January/February collection period was recorded as revenue in the next year, or the year that it was received. In accordance with accounting principles generally accepted in the United States of America, this payment should be accrued to the prior year.

The effect of this adjustment on General Fund fund balance is as follows:

Fund balance, as previously stated, as of 2/29/04	\$	144,547
Add: State shared revenue for sales tax that should have accrued to prior year		<u>13,889</u>
Fund balance, restated, as of 2/29/04	\$	<u><u>158,436</u></u>

Change in Recognition of Contribution from County for Road and Bridge Taxes Levied:

Recognition of funds from property tax levies should coincide with the year the taxes were levied. In prior years, the payment distributed by Tuscola County in either March or April was recorded as revenue in the year that it was received. In accordance with accounting principles generally accepted in the United States of America, this payment should be accrued to the prior year.

The effect of this adjustment on Major Street and Local Street fund balances is as follows:

Fund balance, as previously stated, as of 2/29/04	\$	118,019	\$	310,878
Add: Contribution from County tax levy that should have accrued to prior year		<u>8,493</u>		<u>16,947</u>
Fund balance, restated, as of 2/29/04	\$	<u><u>126,512</u></u>	\$	<u><u>327,825</u></u>

VILLAGE OF MILLINGTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

February 28, 2005

Accounting Change:

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments* (Statement). The Village is required to implement the new requirements for the year ended February 28, 2005. The more significant of the changes to the financial statements as a result of the Statement are as follows:

For the first time, the financial statements will include:

- Government-wide financial statements prepared using full accrual accounting for all of the Village's activities.
- Fund financial statements, consisting of a series of statements that focus on a government's major governmental and enterprise funds.

As a result of implementing the Statement, the following restatements were made to beginning fund balance and net asset accounts:

Fund Financial Statements:

The beginning net assets of the enterprise funds and of the internal service funds were derived by aggregating the previously reported retained earnings and contributed capital of those funds.

Government-wide Financial Statements:

Beginning net assets for governmental activities was determined as follows:

Fund balances of general and special revenue funds, restated, as of 2/29/04	\$ 626,973
Add: Governmental capital assets, including general fixed assets	141,000
Deduct: Accumulated depreciation as of 2/29/04 on above governmental capital assets	(61,074)
Add: Governmental internal service fund net assets as of 2/29/04	<u>155,799</u>
Governmental net assets, restated, as of 2/29/04	<u>\$ 862,698</u>

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF MILLINGTON

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2005

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under) Final Budget</i>
Revenues:				
Property taxes	\$ 229,100	\$ 220,448	\$ 209,274	\$ (11,174)
Licenses and permits	10	10	1	(9)
State grants	125,786	127,440	125,893	(1,547)
Contributions from other units	2,000	2,000	-	(2,000)
Charges for services	28,734	37,399	850	(36,549)
Fines and forfeits	50	50	27	(23)
Interest and rents	1,900	1,910	1,930	20
Other revenue	<u>5,000</u>	<u>8,008</u>	<u>7,785</u>	<u>(223)</u>
 Total revenues	<u>392,580</u>	<u>397,265</u>	<u>345,760</u>	<u>(51,505)</u>
 Expenditures:				
<i>Current:</i>				
General government	107,303	118,417	108,959	(9,458)
Public safety	106,825	108,546	102,657	(5,889)
Public works	81,572	96,868	93,683	(3,185)
Recreation and culture	<u>4,625</u>	<u>4,700</u>	<u>4,350</u>	<u>(350)</u>
 Total expenditures	<u>300,325</u>	<u>328,531</u>	<u>309,649</u>	<u>(18,882)</u>
 Excess (deficiency) of revenues over expenditures	<u>92,255</u>	<u>68,734</u>	<u>36,111</u>	<u>(32,623)</u>
 Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>
 Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>
 Net change in fund balance	92,255	68,734	40,111	(28,623)
 Fund balance, beginning of year, as restated	<u>158,436</u>	<u>158,436</u>	<u>158,436</u>	<u>-</u>
 Fund balance, end of year	<u>\$ 250,691</u>	<u>\$ 227,170</u>	<u>\$ 198,547</u>	<u>\$ (28,623)</u>

VILLAGE OF MILLINGTON

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2005

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
State grants	\$ 64,000	\$ 71,610	\$ 71,140	\$ (470)
Contributions from other units	8,688	8,688	9,032	344
Interest and rents	1,500	1,500	906	(594)
Other revenue	-	-	189	189
Total revenues	<u>74,188</u>	<u>81,798</u>	<u>81,267</u>	<u>(531)</u>
Expenditures:				
<i>Current:</i>				
Public works	<u>82,591</u>	<u>100,843</u>	<u>92,991</u>	<u>(7,852)</u>
Total expenditures	<u>82,591</u>	<u>100,843</u>	<u>92,991</u>	<u>(7,852)</u>
Excess (deficiency) of revenues over expenditures	(8,403)	(19,045)	(11,724)	7,321
Fund balance, beginning of year	<u>126,512</u>	<u>126,512</u>	<u>126,512</u>	<u>-</u>
Fund balance, end of year	<u>\$ 118,109</u>	<u>\$ 107,467</u>	<u>\$ 114,788</u>	<u>\$ 7,321</u>

VILLAGE OF MILLINGTON

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2005

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
Revenues:				
Property taxes	\$ 46,000	\$ -	\$ -	\$ -
State grants	25,000	25,000	25,134	134
Contributions from other units	17,488	17,488	18,020	532
Interest and rents	<u>2,000</u>	<u>2,000</u>	<u>2,118</u>	<u>118</u>
 Total revenues	<u>90,488</u>	<u>44,488</u>	<u>45,272</u>	<u>784</u>
 Expenditures:				
<i>Current:</i>				
Public works	<u>55,400</u>	<u>65,207</u>	<u>41,963</u>	<u>(23,244)</u>
 Total expenditures	<u>55,400</u>	<u>65,207</u>	<u>41,963</u>	<u>(23,244)</u>
 Excess (deficiency) of revenues over expenditures	35,088	(20,719)	3,309	24,028
 Fund balance, beginning of year	<u>327,825</u>	<u>327,825</u>	<u>327,825</u>	<u>-</u>
 Fund balance, end of year	<u><u>\$ 362,913</u></u>	<u><u>\$ 307,106</u></u>	<u><u>\$ 331,134</u></u>	<u><u>\$ 24,028</u></u>

VILLAGE OF MILLINGTON

PENSION SYSTEM SCHEDULE OF FUNDING PROGRESS

February 28, 2005

The schedule of funding progress is as follows:

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Underfunded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as of Percent of Covered Payroll</i>
12/31/03	\$ 973,772	\$ 1,074,226	\$ 100,454	90.65%	\$ 212,576	47.26%
12/31/02	895,823	1,044,114	148,291	85.79	318,088	46.63
12/31/01	815,221	895,352	80,131	91.05	297,303	26.95
12/31/00	719,120	811,059	91,939	88.66	283,824	32.39
12/31/99	622,279	690,623	68,344	90.10	281,769	24.26
12/31/98	511,692	609,341	97,649	83.97	260,769	37.44
12/31/97	417,202	530,886	113,684	78.59	276,301	41.14

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF MILLINGTON

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended February 28, 2005

Revenues:

Current taxes:

Property taxes	\$ 206,329
Penalties and interest on taxes	129
Administration fees	<u>2,816</u>
	<u>209,274</u>

Licenses and permits:

Nonbusiness licenses and permits	<u>1</u>
	<u>1</u>

State grants:

Liquor license fees	1,268
State revenue sharing - sales tax	122,884
Other	<u>1,741</u>
	<u>125,893</u>

Charges for services:

Copies	193
Police services and reports	440
Zoning/Variance Application Fees	200
Other	<u>17</u>
	<u>850</u>

Fines and forfeitures:

Ordinance fines	<u>27</u>
	<u>27</u>

Interest and rents:

Interest	830
Building rental	<u>1,100</u>
	<u>1,930</u>

Other revenue:

Sale of fixed assets	489
Reimbursements	6,008
Other	<u>1,288</u>
	<u>7,785</u>

Total revenues	<u>\$ 345,760</u>
----------------	-------------------

VILLAGE OF MILLINGTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended February 28, 2005

Expenditures:

General Government:

Council:

Personnel	\$ 7,285
	<u>7,285</u>

Accounting/Finance:

Personnel	40,549
Fringe benefits	10,835
Supplies	2,871
Contracted services	4,802
Telephone	2,879
Travel/Mileage	536
Dues and memberships	1,410
Printing and publications	1,702
Insurance	4,520
Utilities	2,790
Other	4,919
	<u>77,813</u>

Audit:

Contracted services	2,106
	<u>2,106</u>

Buildings and Grounds:

Personnel	1,610
Fringe benefits	168
Supplies	592
Contracted services	6,392
Insurance	1,572
Utilities	10,833
Repairs and maintenance	538
Other	50
	<u>21,755</u>

Total general government	<u>108,959</u>
--------------------------	----------------

VILLAGE OF MILLINGTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended February 28, 2005

Expenditures, continued:

Public Safety:

Police:

Personnel	\$ 51,993
Fringe benefits	37,931
Supplies	2,722
Contracted services	3,274
Telephone	720
Registration, dues and training	20
Insurance	4,912
Utilities	1,085
	<u>102,657</u>

Total public safety 102,657

Public Works:

Department of Public Works:

Personnel	29,191
Fringe benefits	13,248
Supplies	7,589
Contracted services	1,968
Telephone	1,266
Travel/Mileage	107
Insurance	8,646
Utilities	4,200
Equipment rental	4,356
Other	291
	<u>70,862</u>

Sidewalks:

Contracted services	<u>540</u>
	<u>540</u>

Street Lighting:

Utilities	<u>22,281</u>
	<u>22,281</u>

Total public works 93,683

Recreation and Culture:

Parks and Recreation:

Contracted services	<u>4,350</u>
	<u>4,350</u>

Total recreation and culture 4,350

Total expenditures \$ 309,649

VILLAGE OF MILLINGTON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

February 28, 2005

	<u>Special Revenue Funds</u>		
	<u>Municipal Street Fund</u>	<u>Garbage Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 43,951	\$ 16,069	\$ 60,020
Accounts receivable	<u>-</u>	<u>8,042</u>	<u>8,042</u>
 Total assets	 <u>\$ 43,951</u>	 <u>\$ 24,111</u>	 <u>\$ 68,062</u>
 Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued expenses	\$ <u>-</u>	\$ <u>3,646</u>	\$ <u>3,646</u>
 Total liabilities	 <u>-</u>	 <u>3,646</u>	 <u>3,646</u>
 Fund balances:			
Unreserved:			
Special revenue funds	<u>43,951</u>	<u>20,465</u>	<u>64,416</u>
 Total fund balances	 <u>43,951</u>	 <u>20,465</u>	 <u>64,416</u>
 Total liabilities and fund balances	 <u>\$ 43,951</u>	 <u>\$ 24,111</u>	 <u>\$ 68,062</u>

VILLAGE OF MILLINGTON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 28, 2005

	<i>Special Revenue Funds</i>		
	<i>Municipal</i>		<i>Total Nonmajor</i>
	<i>Street</i>	<i>Garbage</i>	<i>Governmental</i>
	<i>Fund</i>	<i>Fund</i>	<i>Funds</i>
Revenues:			
Property taxes	\$ 46,580	\$ -	\$ 46,580
Charges for services	-	64,369	64,369
Interest and rents	148	102	250
	<u>46,728</u>	<u>64,471</u>	<u>111,199</u>
Total revenues			
	<u>46,728</u>	<u>64,471</u>	<u>111,199</u>
Expenditures:			
Current:			
Public works	<u>2,777</u>	<u>58,206</u>	<u>60,983</u>
	<u>2,777</u>	<u>58,206</u>	<u>60,983</u>
Total expenditures			
	<u>2,777</u>	<u>58,206</u>	<u>60,983</u>
Excess (deficiency) of revenues over expenditures	43,951	6,265	50,216
Fund balance, beginning of year	<u>-</u>	<u>14,200</u>	<u>14,200</u>
Fund balance, end of year	<u>\$ 43,951</u>	<u>\$ 20,465</u>	<u>\$ 64,416</u>

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 28, 2005

2005 SEWER IMPROVEMENT BONDS

Issue dated 1/20/05 in the amount of \$ 290,000

Less: Principal paid in prior years -
Principal paid in current year -

Balance payable at February 28, 2005 \$ 290,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>4/1</u>	<u>10/1</u>	<u>4/1</u>	
2006	3.500%	\$ 2,928	\$ 5,856	\$ -	\$ 8,784
2007	3.500%	5,857	5,681	10,000	21,538
2008	3.500%	5,682	5,506	10,000	21,188
2009	3.500%	5,507	5,331	10,000	20,838
2010	3.50%	5,332	5,156	10,000	20,488
2011	3.50%	5,157	4,981	10,000	20,138
2012	3.50%	4,982	4,806	10,000	19,788
2013	3.65%	4,807	4,631	10,000	19,438
2014	3.75%	4,632	4,449	10,000	19,081
2015	3.90%	4,449	4,167	15,000	23,616
2016	4.00%	4,168	3,875	15,000	23,043
2017	4.05%	3,875	3,575	15,000	22,450
2018	4.15%	3,575	3,271	15,000	21,846
2019	4.20%	3,271	2,960	15,000	21,231
2020	4.43%	2,960	2,645	15,000	20,605
2021	4.30%	2,645	2,220	20,000	24,865
2022	4.40%	2,220	1,789	20,000	24,009
2023	4.45%	1,790	1,350	20,000	23,140
2024	4.50%	1,350	905	20,000	22,255
2024	4.50%	905	455	20,000	21,360
2025	4.55%	455	-	20,000	20,455
		<u>\$ 76,547</u>	<u>\$ 73,609</u>	<u>\$ 290,000</u>	<u>\$ 440,156</u>

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS (CONTINUED)

February 28, 2005

2002 Water Supply System Revenue Bonds

Issue dated 7/23/02 in the amount of \$ 1,150,000

Less: Principal paid in prior years (10,000)
Principal paid in current year (11,000)

Balance payable at February 28, 2005 \$ 1,129,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>		<u>Total</u>
		<u>3/1</u>	<u>9/1</u>	<u>9/1</u>		<u>Annual Requirement</u>
2006	4.750%	\$ 26,814	\$ 26,814	\$ 11,000	\$	64,628
2007	4.750%	26,553	26,553	12,000		65,106
2008	4.750%	26,268	26,268	12,000		64,536
2009	4.750%	25,983	25,983	13,000		64,966
2010	4.750%	25,674	25,674	13,000		64,348
2011	4.750%	25,365	25,365	14,000		64,730
2012	4.750%	25,033	25,033	15,000		65,066
2013	4.750%	24,676	24,676	15,000		64,352
2014	4.750%	24,320	24,320	16,000		64,640
2015	4.750%	23,940	23,940	17,000		64,880
2016	4.750%	23,536	23,536	18,000		65,072
2017	4.750%	23,109	23,109	19,000		65,218
2018	4.750%	22,658	22,658	19,000		64,316
2019	4.750%	22,206	22,206	20,000		64,412
2020	4.750%	21,731	21,731	21,000		64,462
2021	4.750%	21,233	21,233	22,000		64,466
2022	4.750%	20,710	20,710	23,000		64,420
2023	4.750%	20,164	20,164	24,000		64,328
2024	4.750%	19,594	19,594	26,000		65,188
2025	4.750%	18,976	18,976	27,000		64,952
2026	4.750%	18,335	18,335	28,000		64,670
2027	4.750%	17,670	17,670	29,000		64,340
2028	4.750%	16,981	16,981	31,000		64,962
2029	4.750%	16,245	16,245	32,000		64,490
2030	4.750%	15,485	15,485	34,000		64,970
2031	4.750%	14,678	14,678	35,000		64,356
2032	4.750%	13,846	13,846	37,000		64,692
2033	4.750%	12,968	12,968	39,000		64,936
2034	4.750%	12,041	12,041	41,000		65,082
2035	4.750%	11,068	11,068	43,000		65,136
2036	4.750%	10,046	10,046	45,000		65,092

continued

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS (CONTINUED)

February 28, 2005

2002 Water Supply System Revenue Bonds, continued

Balance payable as follows:

<u><i>Year Ended</i></u>	<u><i>Rate</i></u>	<u><i>Interest Due</i></u>		<u><i>Principal Due</i></u>	<i>Total</i>
		<u><i>3/1</i></u>	<u><i>9/1</i></u>	<u><i>9/1</i></u>	<u><i>Annual Requirement</i></u>
2032	4.750%	13,846	13,846	37,000	64,692
2033	4.750%	12,968	12,968	39,000	64,936
2034	4.750%	12,041	12,041	41,000	65,082
2035	4.750%	11,068	11,068	43,000	65,136
2036	4.750%	10,046	10,046	45,000	65,092
2037	4.750%	8,978	8,978	47,000	64,956
2038	4.750%	7,861	7,861	49,000	64,722
2039	4.750%	6,698	6,698	51,000	64,396
2040	4.750%	5,486	5,486	54,000	64,972
2041	4.750%	4,204	4,204	56,000	64,408
2042	4.750%	2,874	2,874	59,000	64,748
2043	4.750%	1,473	1,473	62,000	64,946
		<u>\$ 665,480</u>	<u>\$ 665,480</u>	<u>\$ 1,129,000</u>	<u>\$ 2,459,960</u>

VILLAGE OF MILLINGTON

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS (CONTINUED)

February 28, 2005

1998 WATER REVENUE REFUNDING BONDS

Issue dated 6/1/88 in the amount of \$ 350,000

Less: Principal paid in prior years (210,000)
Principal paid in current year (25,000)

Balance payable at February 28, 2005 \$ 115,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Total Annual Requirement</u>
		<u>4/1</u>	<u>10/1</u>	<u>10/1</u>	
2006	8.100%	\$ 4,748	\$ 4,747	\$ 25,000	\$ 34,494
2007	8.200%	3,735	3,735	30,000	37,470
2008	8.300%	2,505	2,505	30,000	35,010
2009	8.400%	<u>1,260</u>	<u>1,260</u>	<u>30,000</u>	<u>32,520</u>
		<u>\$ 12,248</u>	<u>\$ 12,247</u>	<u>\$ 115,000</u>	<u>\$ 139,494</u>

VILLAGE OF MILLINGTON

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS (CONTINUED)

February 28, 2005

2001 INSTALLMENT PURCHASE CONTRACT

Issue dated 12/04/01 in the amount of \$ 55,500

Less: Principal paid in prior years (6,000)
Principal paid in current year (3,000)

Balance payable at February 28, 2005 \$ 46,500

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>	<u>Principal Due</u>	Total
		<u>12/1</u>	<u>12/1</u>	<u>Annual Requirement</u>
2006	4.750%	\$ 2,209	\$ 3,000	\$ 5,209
2007	4.750%	2,066	3,000	5,066
2008	4.750%	1,924	3,000	4,924
2009	4.750%	1,781	3,000	4,781
2010	4.750%	1,639	4,000	5,639
2011	4.750%	1,449	4,000	5,449
2012	4.750%	1,259	4,000	5,259
2013	4.750%	1,069	4,000	5,069
2014	4.750%	879	4,000	4,879
2015	4.750%	689	4,500	5,189
2016	4.750%	475	5,000	5,475
2017	4.750%	<u>238</u>	<u>5,000</u>	<u>5,238</u>
		<u>\$ 15,677</u>	<u>\$ 46,500</u>	<u>\$ 62,177</u>

VILLAGE OF MILLINGTON

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

SCHEDULE OF INDEBTEDNESS

February 28, 2005

2004 DOWNTOWN DEVELOPMENT LIMITED TAX BONDS

Issue dated 5/1/05 in the amount of \$ 250,000

Less: Principal paid in prior years -
Principal paid in current year (5,000)

Balance payable at February 28, 2005 \$ 245,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal Due</u>		<u>Total Annual Requirement</u>
		<u>6/1</u>	<u>12/1</u>	<u>12/1</u>		
2006	4.000%	\$ 5,430	\$ 5,430	\$ 5,000	\$	15,860
2007	4.000%	5,330	5,330	5,000		15,660
2008	4.000%	5,230	5,230	5,000		15,460
2009	4.000%	5,130	5,130	10,000		20,260
2010	4.000%	4,930	4,930	10,000		19,860
2011	4.000%	4,730	4,730	10,000		19,460
2012	4.000%	4,530	4,530	10,000		19,060
2013	4.000%	4,330	4,330	10,000		18,660
2014	4.050%	4,130	4,130	10,000		18,260
2015	4.200%	3,928	3,927	10,000		17,855
2016	4.300%	3,717	3,718	15,000		22,435
2017	4.400%	3,395	3,395	15,000		21,790
2018	4.450%	3,065	3,065	15,000		21,130
2019	4.550%	2,731	2,731	15,000		20,462
2020	4.600%	2,390	2,390	20,000		24,780
2021	4.700%	1,930	1,930	20,000		23,860
2022	4.800%	1,460	1,460	20,000		22,920
2023	4.900%	980	980	20,000		21,960
2024	4.900%	<u>490</u>	<u>490</u>	<u>20,000</u>		<u>20,980</u>
		<u>\$ 67,856</u>	<u>\$ 67,856</u>	<u>\$ 245,000</u>	<u>\$</u>	<u>380,712</u>

**BERTHIAUME
& COMPANY**

Certified Public Accountants



60 Harrow Lane
Saginaw, Michigan 48603

(989) 791-1555
Fax (989) 791-1992

MANAGEMENT LETTER

To the Village Council
Village of Millington,
Tuscola County, Michigan

We have completed our audit of the financial statements of the Village of Millington for the year ended February 28, 2005, and have issued our report thereon dated April 28, 2005. As part of our examination, we made a study and evaluation of the Village's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Village's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Village's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Village of Millington taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses.

This report is intended solely for the use of the Village management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

April 28, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Village Council
Village of Millington,
Tuscola County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Millington, as of and for the year ended February 28, 2005, which collectively comprise the Village of Millington's basic financial statements and have issued our report thereon dated April 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village of Millington's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Millington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

April 28, 2005